FIRM’S WILLINGNESS TO CANNIBALIZE ON BRAND LOYALTY WITH CUSTOMER SATISFACTION AS MODERATING VARIABLE

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Abstract

The purpose of this research paper is to investigate the influence of a firm’s willingness to cannibalize on consumer brand loyalty, with customer satisfaction as a moderating variable. The subjects of this study are cell phone consumers. The sample was surveyed with the help of a structured questionnaire. A total of 600 questionnaires were distributed from which only 475 questionnaires were returned while only 450 questionnaires turned out to be fit for analysis. Results suggest that there is a significant positive effect of ‘firm’s willingness to cannibalize’ and ‘customer satisfaction’ on brand loyalty. The presumed moderator – customer satisfaction, however has only a slight positive effect on the relationship between firm’s willingness to cannibalize (predictor) and brand loyalty (outcome variable). As compared to other cell phone brands, Nokia and Samsung implement more cannibalizing techniques, i.e. they are more willing to sacrifice market share of old products to launch new products as a step towards greater satisfaction and enhancing brand loyalty of their customers and strengthen their overall market share.

Keywords: Brand loyalty, cannibalizing, cell phone, customer satisfaction, firm’s willingness to cannibalize.

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Introduction

The basic aim of this research paper is to investigate the influence of a firm’s willingness to cannibalize on brand loyalty, with customer satisfaction as moderating variable. Definition of cannibal by Oxford dictionary is “A person who eats human flesh”. Generally this term is defined as “An animal that eats animals of his own kind”. Heskett (1976) is the first person who introduced this term in area of marketing. In view of Kotler & Keller (2009) cannibalization is a system in which a firm’s existing brand is competed by a new brand of its own. Chandy & Tellis (1998) claimed that cannibalization is a fundamental variable to determine why certain firms introduce new products more profoundly than others.

It’s not desirable by any firm that its newly launched brand starts challenging its own product(s) rather than competing with rivals’ products. Problem may also arise when a firm’s new product can’t be distinguished from the predecessor. Therefore in order to create a unique image in the minds of customers and the market, it is essential that new product has different characteristics from previous one. It has been found that some customers are unable to differentiate between two different branded products of the same firm (Chandy & Tellis, 1998).

The logic behind introduction of new products is technological improvements and variations in customer requirements with the passage of time. Companies carry out research and development in this area as and whenever required in order to design more advanced products and to have competitive edge in the market place. Problem arises when the introduction of a new product not only challenges the competitors’ products but also start posing threat to the firm’s own present product. This creates a space of competition between products of same firm in the market. Such competition sometimes proves damaging rather than productive because the potential of the present product declines because of introduction of newer and a more
innovative one. The market share of the prevailing product declines and possibly its life as well. In this way even the successful launch of new product may lower the overall sales performance of the firm (Abraham, 2011).

It was found by Slater and Narver (1998); Gatignon and Xuereb (1997); and Deshpande, Farley and Webster (1993), that cannibalization is more preferred by those businesses which are customer-oriented, i.e. they have the capability and motivation to recognize and provide for the contemporary needs of customers. Nowadays most customers search for innovative and the latest products, usually within the leading technology prevailing in the market (Christensen & Bower, 1996). Yaseen, Tahira, Gulzar and Anwar (2011) proclaimed that customers, who mostly rely on branded products from one specific firm, are more likely to be affected by cannibalization. They do not want to switch to another brand of a different firm offering the same product. When a branded article is purchased by the customers, they enjoy the feeling of having something worthy or superior (Heidarzadeh, Ghalandari, Noroozi, 2007).

Previously a firm’s value was assessed on the basis of its tangible assets. However recently it has been proposed that the actual worth of a firm is based upon the customer-base and brands or trademark value (Businesstoday.in, May 17, 2009). Even though the value of a product is measured in monetary terms, but a manufacturer presents its product and exposes its eminent features using a unique brand name (Cupferer, 2006). It is has been suggested a unique brand names has significant contribution in winning competitive advantage for a business. Creating a strong brand is on the top of priority list of many businesses (Bekhradi, 2009).

When a specific brand has built a loyal customer-base, then it will be able to win customers even if it is priced comparatively higher than similar competitive brands. Similarly promotion efforts made by the firm for such brands will be more effective and the firm
enjoys a stable and dominant position in the market (Dunne & Moulden, 2009).

In Pakistan with the launch of the cell phones in the early 90s, there has been a significant improvement in its widespread adoption. With more than three billion subscribers around the world, the extent of cell phone dissemination in emerging markets has been increasingly larger than in developed countries (Kalba, 2008). The cell phone consumers in Pakistan are sensitive towards price and give a sharp response to any reduction in the prices of SMS, phone calls and internet data bundles. (Pakistan’s Telecom Operators are Killing Their Own Business).

Khan (2012) conducted a study on the consumers of fast moving consumer goods (FMCG). He made a comparison of how consumers choose to use certain products, whether due to a large variety of products range offered by a firm, products of firms frequently engaging in product cannibalization, or products of firms having certain competitive advantage over competitors? He discovered that 37% respondents within the age bracket 20-35 years use products of firms who usually cannibalize. The ratio of male respondents using cannibalized products was more than females. He further found that 27% of respondents with an income bracket of Rs.30,000-50,000 and 23% respondents with a graduation prefer to use cannibalized products.

No previous study has been conducted to explore the relationship between firm’s willingness to cannibalize and brand loyalty. The rationale to select customer satisfaction as moderating variable is that brand loyalty may not be created if customers are satisfied from a brand just one time. Only if a customer remains satisfied from a brand over a long time, it may develop brand loyalty. Various researches showed that customer satisfaction leads to brand loyalty (Yang & Peterson, 2004; Eugene & Jamie, 2000).
Literature Review

Firm’s Cannibalization

The concept of cannibalization in the field of economics was introduced approximately in 1930s when Schumpeter (1934, 1942) investigated the connection between “incumbency and radical innovations” in order to describe economic development. The discussion has sustained up till now, with varying comments. Some researchers say that reputable firm shaving monopolistic features are the dynamic power behind technical development (Gilbert & Newbery, 1982; Schumpeter, 1934), while others believe that this change occurs as a result of young talent entering the marketplace (Reingenum, 1983; Schumpeter, 1934). Researchers claimed that in earlier times established corporations used their controlling authority to anticipate about new competitors and accordingly made corrective measures in order to keep enjoying their existing market share.

The psychological facets of sunk costs have also been studied by organizational psychologists in terms of cannibalization (Barton, Duchon, & Dunegan, 1989; Staw & Ross, 1987; Staw, 1981). They established that management of any firm is determined to grasp even those former investments which have been expired. Regardless of the fact that they are irretrievable and immaterial for future operations, managers still consider them as resourceful. This phenomenon is known as “sunk cost fallacy”.

The primary interest of economists in studying cannibalization is economic development and changes in market structures. In strategic management and evolutionary economics reason behind this study is to focus on the properties, proficiencies, and competencies of established firm versus those of new participants (Tripsas, 1997; Tushman & Anderson, 1986).
The literature of strategic management has exposed that competitors’ new and improved competencies may force corporations to develop and introduce new products (Tripsas, 1997; Henderson & Clark, 1995; Leonard-Barton, 1992, 1990). Usually, established firms have an advantage over new participants in the period of stability when they are capable of making innovative products by relying on existing capabilities. Further enhancement in competencies gives rise to new inventions, replacing older products, however without declaring them out-dated (Tushman & Anderson, 1986). Therefore firms prefer to revolutionize incrementally instead of radically (Abernathy & Clark, 1985).

Modern era marketing academicians give cannibalization more attention as compared to economics academicians of the past (Deleersnyder et al., 2002; Mason & Milne, 1994; Moorthy & Png, 1992; Conner, 1988; Copulsky, 1976). The focal point here is that what measures should be taken to maintain the market share of an existing product while launching new one. This question is more specifically considered when a firm is going to present a number of products or doing brand extension. Consequently, issues like cannibalization and timing of introduction of innovative products are underlined. Chandy and Tellis (1998) believe that in order to explain innovative behavior of firms, willingness to cannibalize is a significant variable.

In order to develop and introduce new range of products or for brand extension in the market, it is essential for the firm to make investment for up-dating their technology (Chandy, Jaideep, & Kersi, 2003). Still there is a risk that adoption of modern technology may condense or obsolete the market share of firms’ preceding investments. Therefore, for holding the current market position and avoiding the associated potential risk caused by moving towards new technology (Boulding, Morgan, & Staelin, 1997); firms are unenthusiastic to cannibalize and prefer to carry on with the same technology. But such type of deviation may keep such firms far behind in competition,
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Research

damage their growth or even head towards market disaster (Sorescu, Chandy, & Prabhu, 2003).

Vermeulen, Edwin, and Hillebrand(2003) described a comprehensive concept drawn from the field of economics, organizational psychology, strategic management and marketing. They highlighted three main dimensions: (1) “Willingness to cannibalize previous investments”, which denote whether a firm is ready to launch new line of product irrespective of the fact that this will obsolete existing products; (2) “Willingness to update existing organizational processes”, which refers to the readiness of a firm to adopt new technology which improves its existing procedures, functions and practices; and (3) “Willingness to cannibalize current sales”, which denotes that launching new line of product will reduce the sales of existing ones. In many cases it was noticed that firms do not only cannibalize their products but are also willing to cannibalize certain other aspect. By studying research work of various analysts, we identify and differentiate between three dimensions, which are cannibalization on former investments, processes, and sales.

Willingness to Cannibalize on Previous Investments

According to (Nijssen, Hillebranda, & Vermeulen, 2005), willingness to cannibalize on previous investments denotes firm’s intention of launching innovative products which results in making previous investment out-dated. Difference in opinion on willingness to cannibalize may be explained by differences in the tendency of firms to forego previous investments (Reinganum, 1983; Staw, 1981; Schumpeter, 1934). However cannibalizing previous investments, applying creative ideas and taking risks significantly promote innovation, help in brand extension and grooming present state of affairs (Andrews & Smith, 1996).

Research in the field of economics and organizational psychology has direct association with this dimension.
**Willingness to Cannibalize on Existing Processes**

Willingness to cannibalize on existing processes means that a firm updates its current procedures, functions and practices to develop and produce new products. This dimension is embedded in literature of the strategic management in evolutionary economics. However it was found that it is difficult for those firms to change system of operations or to choose alternate options which already enjoy successful line of product (Tripsas, 1997; Leonard-Barton, 1995; Henderson & Clark, 1990).

**Willingness to Cannibalize on Current Sales**

Willingness to cannibalize on current sales means a firm is ready to cut down current sale of existing products by introducing new products. The marketing literature advocates that firms which already have profitable market share from existing products feel reluctant in cannibalization on the current sales (Mason & Milne, 1994; Conner, 1988). When competitors are going to give you tough competition by launching new products then cannibalization does not remain a big issue. But if there is no competitive pressure then it doesn’t makes sense to forego existing profitable product(s) by presenting new ones. However by sticking with the current products the firm may not keep pace with innovative trends and may sacrifice its existing position in the market.

Cannibalization rate is typically calculated in terms of loss of market share and sale of current products due to adoption of new procedures. Such losses occur as a result of fluctuation in the demand between new and old goods or services (Van Heerde, Srinivasan, & Dekimpe, 2010).
Pros and Cons of Cannibalization

Cannibalization may be constructive or it may prove unfruitful for the firm. It will be unconstructive in four dimensions. Firstly there is possibility that new product may not be welcomed by customers which adversely lowers the profitability. Secondly demand of current products may fully demolish. Thirdly firms allocate greater portion of its resources in development of new innovative products which divert financing from existing product and some time is required to recover the initial cost of investment by generating revenue from the sale of new products. Lastly, it is believed that innovative products developed by advanced technology are risky ones and there are fair chances of their failure (Farrukh, 2014).

Cannibalization Strategies

The effects of firm’s cannibalization differ according to the varying consumer behavior and the nature of cannibalization strategy. Concerning loyal customers, the chances that they will move to the product of a different firm are lesser even if the current firm’s new brand is available at a higher rate. On the other hand, less committed customers are more likely to move to other firms’ brands when the brand they are already using becomes obsolete in the market and even if the new brand of the former firm is being offered at a lower price. While devising marketing strategies, firms must consider the proportion of its customers that can easily change their preference regarding their brand (Farrukh, 2014).

Brand Loyalty

Holt (2004) defined brand loyalty as the customer’s preference to rely on one brand while competitors are offering almost equally attractive products. At the individual level, brand loyalty refers to the image stored in the mind of the consumer as a result of the awareness regarding specific brand (Roehm, 2002). According to marketing
perspective brand loyalty comprises of a customer’s preference for a
good or service of a specific brand by doing repeat purchases or
giving other productive response such as referring the product to
others (Chaudhuri & Holbrook, 2001). Brand committed buyers do not
have to make any effort of making an assessment of product attributes.
They select the specific brand on the basis of familiarity and affiliation
towards it. This affiliation develops as a result of past experiences
with the brand.

Every firm desires for repeat purchase behavior from its customers.
Using this statistic a firm can easily depict customer inclination towards
a specific brand (Bowen & Shoemaker, 1998). It also reveals purchase
intent of consumer, guarantees ensured productivity and a bigger
market share (Reinart, Thomas, & Kumar, 2005; Rust, Lemon, &
Zeithaml, 2004).

Oliver (1999) claimed that customer satisfaction is vital for brand
loyalty, yet quality, customer’s concern for particular brand and social
linkage between consumer and brand is also imperative for brand
loyalty. A lot of business firms consider customer loyalty, referrals
and positive word of mouth as factors which enhance their sales and
profitability (Reichheld & Sasser, 1990).

Four brand loyalty stages in ascending order were suggested by
Oliver (1999) according to the “cognition–affect–conation pattern”. It
begins with “intellectual or cognitive stage”, which says that
customer’s loyalty to a brand depends upon their knowledge about it.
The “affective phase” suggests that brand loyalty is result of
customer’s likeness and affiliation towards it. The third phase is
“conative loyalty” which is concerned with a desire to perform an
action, e.g. repurchase a particular brand. The last stage is “action
loyalty”. In this stage customers actually purchase products. We can
say they convert their intentions into actions. In this stage consumer
face difficulties in purchasing their desired products and they wish to
overwhelm their desire. Even though this is the best stage of loyalty,
it is hard to perceive and difficult to measure as well. Analysts mostly prefer to work on conative or behavioral-intention measures.

**Dimensions of Brand Loyalty**

At global level loyalty has been deliberated as a concept with two explicit dimensions: 1) attitudinal brand loyalty; and 2) behavioral brand loyalty (Baldinger & Rubinson 1996; Mellens, Dekimpe, &Steenkamp, 1996). According to Baldinger and Rubinson (1996), loyal purchasers follow constant attitude towards a brand. Their study showed that attitudinal loyalty is a more significant gauge of retention as compared to behavioral loyalty.

Amine (1998) used the following two dimensions to describe the concept of loyalty:

**Behavioral Dimension**

Behavioral aspect shows consumer tendency of repetitive buying of a particular brand. It has a significant impact on the sales of that particular brand.

**Attitudinal dimension:**

The attitudinal aspect asserts that continuous purchasing of a brand is essential but not enough to fulfill the requirement of “true” brand loyalty and it should be associated with positive behavior towards particular brand (Hammond, East, & Ehrenberg,1996). It consists of attitudinal priorities, brand commitment, and repurchase intention (Mellens et al, 1996).

**Customer Satisfaction**

Customer satisfaction means how much satisfied customers are and how well their demands are fulfilled. Aydin, Özer, & Arasil (2005)
described that customer satisfaction results from overall experience of the product and its different characteristics. Customer’s purchase expectation and past experiences of using the product play vital role in creating customer satisfaction.

From a firm’s point of view it is based on evaluation of satisfaction level of customers, fulfillment of their expectations, and firm’s performance. To forecast prospect of customer purchases, satisfaction aspect is commonly used (Kasper, 1988; Newman & Werbel, 1973). Customer satisfaction also leads to repeat-purchases (Zeithaml, Berry, & Parasuraman, 1996), product referrals to others (Reynolds & Arnold, 2000; Reynolds & Beatty, 1999), and little inclination towards rival’s offerings (Fitzell, 1998). It also gives a firm competitive advantage, significant market share, and better profitability (Fornell, 1992), a lower overall business cost and chances of failure (Chien, Chang, & Su, 2003). According to European customer satisfaction index model numerous factors such as quality, value, customer expectations and firm’s image are the precursors of customer satisfaction (Turkyilmaz & Ozkan, 2007).

Customer satisfaction has been considered to be a vital precursor of customer loyalty (García & Caro, 2009; Cooil et al., 2007; Seiders et al., 2005; Sivadas & Baker-Prewitt, 2000; Reynolds & Beatty, 1999; Fitzell, 1998; Zeithaml et al., 1996; Fornell, 1992). Moreover loyalty and satisfaction have closest association (Taylor & Baker, 1994; Anderson & Sullivan, 1993; Fornell, 1992; Rust & Zahorik, 1993). Some studies show that their association is bidirectional (Hallowell, 1996; Oliver, 1999); while others show unidirectional association i.e. moving from satisfaction to loyalty only (Strauss & Neuhaus, 1997). Satisfied customers incline to be loyal customers with (Rowley, 2005) or without the mediation of other variables (Fornell, 1992; Oliva, Oliver, & McMillan, 1992; Coyne, 1989). There exists a positive relationship of satisfaction with repurchase intention, probability to recommend goods/services to others, loyalty, and profitability (Anton, 1996, Anderson & Fornell, 1994, Bitner, 1990). Customer satisfaction leads
to repurchase intension (Rust & Williams 1994; LaBarbera & Mazursky, 1983). Research evidence shows that if customer expectations are not fulfilled then loyalty is largely affected as compared to satisfaction (Ringham, Johnson, & Morton, 1994).

**Research Hypotheses**

**H1**: Firm’s willingness to cannibalize is positively related to brand loyalty

**H2**: Customer satisfaction moderates the relationship between firm’s willingness to cannibalize and brand loyalty

The following theoretical model can be depicted according to above hypotheses:

![Figure 1: Theoretical Model](image)

This is an applied research work. Its objective was to observe the influence of firm’s cannibalization on the brand loyalty of consumers. The target population for this study was decided to be cell phone consumers (students, teachers, bankers, lawyers and other professionals), since branded cell-phones are popular among general consumers. Sample size for this study was 600. Respondents were selected using simple random sampling. A total of 600 questionnaires were distributed, from which only 475 questionnaires were returned, while only 450 questionnaires turned out to be fit for analysis. In Pakistan with the launch of the cell phones in the early 90s, there has been a significant improvement in its widespread adoption. With more than three billion subscribers around the world, the extent of cell...
phone dissemination in emerging markets has been increasingly larger than in developed countries (Kalba, 2008).

Primary data was collected using close-end and non-disguised survey questionnaire. Secondary data was collected from different journal articles, online databases and websites was used for the purposes of literature review.

The questionnaire was divided into two parts. First part collected demographics including: age, gender, education, profession, cell phone brand, and time-span for using cell phone. The second part collected data on the study variables using 5-point Likert scale. Firm’s willingness to cannibalize scale was adapted from Vermeulen et al. (2003) and Chandy and Tellis (1998). Customer satisfaction and brand loyalty scales were adopted from Mols (1998) and Ahmed and Moosavi (2013). Initially a pilot study was conducted to check out reliability of questionnaire by applying Cronbach’s alpha coefficient, which came out to be 0.80, showing 80% reliability, which is quite good for a social sciences study. SPSS was used to analyze the data by applying linear/step-wise regression analysis. The results found were used for further interpretations, and presenting conclusion, limitations and managerial implications.

Data Analysis

Demographic Analysis

Out of a total 450 respondents, 41% were males and 59% were females. The age of majority of respondents (73%) falls in the range of 20-25 while 13% of the respondents were having age in the range of 26-30, and only 2% of the respondents were having age greater than 50. Qualification details disclose that majority of the respondents (50%) had Bachelors qualification while 16%, 31% and 3% had Masters, M.Phil. and other qualifications respectively. 69% of the respondents
belong to student category, 12% to teachers and 19% were related to other professions. As far as cell phone brand is concerned, it was found that a majority (42%) of the respondents were using Nokia brand, 36% Samsung, 6% Q. Mobile, 3% L.G, 1% Motorola and 10% were using other brand like Apple and Black Berry respectively. Time span for using cell phone also vary in respondents. 16% consumers were using cell phone for less than 1 year, 44% for 1-3 years, 21% for 4-7 years, 7% for 8-12 years, and 11% were using cell phone for more than 12 years.

Regression Analysis

Linear or step-wise regression was performed to find out the significance of independent variable (firm’s willingness to cannibalize), moderating variable (customer satisfaction) and dependent variable (brand loyalty). Moderating variable relationship was tested through three regression equations/models. Since both the predictors (independent variable and moderating variable) were in metric form, these were centralized by taking their deviation from their respective means. It reduced the problem of multi co linearity i.e. minimize the correlation between customer satisfaction and firm’s willingness to cannibalize.

Model 1 is a simple relation of brand loyalty with the firm’s willingness to cannibalize and the parameter indicates the effect of firm’s willingness to cannibalize (CAN) on brand loyalty (BL). In Model 2, two predictors: firm’s willingness to cannibalize (CAN) and customer satisfaction (CS) were taken; and the parameters show the impact of these predictors on brand loyalty respectively. In Model 3, the effect of interaction term (CAN*CS) was also considered in addition to the main factors effect.
Table 1:

Ordinary Least Square Estimates (OLS) Model

<table>
<thead>
<tr>
<th>Model</th>
<th>Predictors</th>
<th>B 0</th>
<th>B 1</th>
<th>B 2</th>
<th>Beta Value (B)</th>
<th>t-statistics</th>
<th>F value/ Sig</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>BL, CAN</td>
<td>0.6</td>
<td>0.3</td>
<td>50.332</td>
<td>184.48</td>
<td>238.0</td>
<td>0.000***</td>
</tr>
<tr>
<td>2</td>
<td>BL, CAN, CS</td>
<td>0.7</td>
<td>0.5</td>
<td>50.213</td>
<td>207.28</td>
<td>0.000***</td>
<td></td>
</tr>
<tr>
<td>3</td>
<td>BL, CAN, CS, CAN*CS</td>
<td>0.7</td>
<td>0.5</td>
<td>0.291</td>
<td>6.722</td>
<td>164.5</td>
<td>0.000***</td>
</tr>
</tbody>
</table>

Dependent variable = Brand Loyalty (BL)
Model 1: Predictors: (Constant), Firm’s Willingness to Cannibalize (CAN)
Model 2: Predictors: (Constant), Customer Satisfaction (CS), Firm’s Willingness to Cannibalize (CAN)
Model 3: Predictors: (Constant), CAN, CS, CAN*CS

The models/equations formulated are as follows:

**Equation 1:**
BL = B 0 + B 1 CAN

**Equation 2:**
BL = B 0 + B 1 CAN + B 2 CS

**Equation 3:**
BL = B 0 + B 1 CAN + B 2 CS + B 3 CAN*CS

In view of the above models both hypotheses of current study were accepted. According to SPSS’s results Model 2 and Model 3 suggest a better fit (R 2 = 0.520, 0.525) as compared to Model 1 (R 2 = 0.391). R square value shows the percentage variation in DV that is caused by the IV. In Model 1, 2, & 3 it is explicit that IVs cause 39.1%, 52.0%, & 52.5% (.391, 0.520, & 0.525) change in DV respectively and rest of the portion is accounted for other factors held constant in the model.

Firm’s willingness to cannibalize is observed to be significant under all three models and the value of B-coefficient (B = 0.604) decreased from Model 1 to Model 2 and Model 3 (B = 0.282, 0.291). The above B-coefficient values show that there exists a strong,
positive and significant relationship between firm’s willingness to cannibalize and brand loyalty as well as customer satisfaction and brand loyalty. But B-coefficient values decreased when observing combined effect of cannibalizing and customers’ satisfaction.

However interaction term showed weak, positive but significant relationship between predictors and dependent variable. The significance of the interaction term (CAN*CS) under Model 3 (p = 0.027) and the significance (p = 0.000 & p = 0.000) of both the main effects (CAN, CS) are sufficient evidence to conclude that customer satisfaction alters the relation between willingness to cannibalize and brand loyalty. Also the positive sign of the interaction suggest the positive impact over brand loyalty i.e., the firm’s willingness to cannibalize has an impact on brand loyalty when it has a large number of satisfied customers.

Conclusion and Discussion

This study is an addition to the body of knowledge as it was conducted to explore the association between firm’s willingness to cannibalize and brand loyalty and to analyze the impact of customer satisfaction on this association as a moderating factor. The findings of the study suggest that there is a significant effect of firm’s willingness to cannibalize and customer satisfaction on brand loyalty and the presumed moderator (customer satisfaction) moderates (weak positive) the effects of the predictor (firm’s willingness to cannibalize) on the outcome variable (brand loyalty). Moreover as per respondents, Nokia brand is most widely used among cell phone consumers followed by Samsung. Further it was concluded that as compared to other cell phone brands, these two brands implement more cannibilizing techniques, i.e. they are more willing to sacrifice market share of old products to launch out new products as a step towards greater satisfaction and enhancing brand loyalty of their customers and strengthen their overall market share.
The results of this research are consistent with the study of Chandy & Tellis, (1998) that in order to create a unique image in the minds of customers and the market and to gain loyal customers, it is essential that new product has different characteristics from previous one.

The current study is also supported by Yaseen et al., (2010) that customers who mostly rely on branded products from one specific firm, are more likely to be affected by cannibalization. Moreover they do not want to switch to another brand of a different firm offering the same product.

It was found by Slater and Narver (1998); Gatignon and Xuereb (1997); Deshpande, Farley and Webster (1993); that cannibalization is more preferred by those businesses which are customer-oriented, i.e. they have the capability and motivation to recognize and provide for the contemporary needs of customers.

Nowadays most customers search for innovative and the latest products, usually within the leading technology prevailing in the market (Christensen & Bower, 1996). When a specific brand has built a loyal customer-base, then it will be able to win customers even if it is priced comparatively higher than similar competitive brands (Dunne and Moulden, 2009).

The chances that loyal consumers will move to products of a different firm are less even if that firm stops to produce its current product and the new product is available at a higher rate. On the other hand, less committed customers are likely to move to other firms’ brands when the brand they are already using becomes obsolete in market and even if the new brand of the former firm is being offered at a lower price. While making marketing strategies, firms must consider the proportion of its customers that can easily change their preference regarding their brand (Farrukh 2014).
However Cannibalization may be unfruitful for the firm because there is a possibility that the new product will not be welcomed by customers which adversely lowers the profitability (Farrukh, 2014).

Limitations of Study

Due to time and finance constraint only a small sample was studied, which may limit the generalizability of results. Also as this study is a descriptive one, so only little research background or evidence is available to support its hypotheses. Moreover, results of the study are based on the respondent’s perceptions, and real situation may differ.

Managerial Implications

This study will help out decision making authorities to properly use cannibalizing techniques so as to satisfy their customer. As a result, they may become more loyal towards the firm’s brand and ultimately firm’s profits would be increased. Also, it will assist firms in making decisions regarding product investment (in which product to invest and which to leave out). Moreover, this study can be conducted in any other sector like technology oriented firms to observe the impact of firm’s willingness to cannibalize on brand loyalty.
References


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